

banking system blame the English banks for their failure to invite the available capital of the country into their coffers by the payment of interest.¹ If a Scotch banker issues a quantity of notes, he feels assured that nearly all of them will be paid into some bank in the course of the day. There was a competition among issuers, before the Act of 1845, but it was under the restraint of the theoretical rule of free banking, that the notes come back to the bank whenever they are issued in excess. Many of the English banks, however, have discouraged deposits and active accounts by charging a commission when the accounts were operated upon.

Deposit accounts and the payment of interest have thus operated at once to bring within the circle of productive industry *every* possible fraction of available capital, but they have operated also to apply constantly to the banks the touchstone of a sound and scientific currency,—the redemption and cancellation of their notes. These results could not be accomplished by a great state institution or without the wide diffusion of banks or their branches. The ten Scotch banks of issue have now over 900 offices or branches, or an office for every 4500 people, men, women, and children. The methods by which they have accomplished such results, moreover, are not, in the language of M. Courcelle-Seneuil, "the exercise of a blind routine, the setting in motion of a sort of mechanism ; they have been the employment of an enlightened judgment in their loans, the exercise of a high intelligence applied to business." The Scotch system of branches results in an even distribution of capital by withdrawing it from points where it is not needed and concentrating it where it is needed. The branches in the agricultural districts usually accumulate more capital than is needed within their own circuits and transfer it to the manufacturing districts, which are able to employ nearly all the capital they can obtain. This system kept capital within the country and the payment of interest on deposits contributed to deter the Scotch people from the reckless investments which

¹ Gilbert, II., 201.